

Fiscal Note



Fiscal Services Division

SF 2388 – Health Care Access Assessment (LSB 6248SV)

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Fiscal Note Version – as passed by the Senate

Description

Senate File 2388 creates a Hospital Health Care Access Assessment Program and imposes a Hospital Health Care Access Assessment to non-State owned hospitals paid on a Prospective Payment System (PPS) basis by Medicare and Medicaid. The assessment is based on 1.26% percent of net patient revenue as specified by the FY 2008 Medicare cost report and effective July 1, 2010, or retroactive to that date, based on approval by the federal Center for Medicare and Medicaid Services. The Bill establishes a Hospital Access Trust Fund for the assessment proceeds and establishes a board to make recommendations regarding the Program. The Bill provides for reimbursement for PPS hospitals up to the federal Upper Payment Limit (UPL); the rebasing of hospital rates in October of FY 2011 (FY 2012); and annualizes the rebase in FY 2013.

Assumptions

- The assessment rate is 1.26% percent of net patient revenue.
- The assessment would generate \$40.0 million in revenue.
- The State would use approximately \$19.5 million of the revenue to reimburse hospitals up to the UPL in FY 2012 and \$25.9 million in FY 2012 and FY 2013. These funds would be matched to draw additional federal revenue.
- The State would use \$4.5 million in FY 2012 and \$6.0 million in FY 2013 to rebase hospitals. Both amounts are capped by the Bill.
- Most hospitals will experience a net gain from this Bill because the additional Medicaid payments will be more than the assessment paid. However, hospitals with a low percentage of Medicaid will experience a net loss because the Medicaid payments received will not be enough to offset the assessment on non-Medicaid revenue.
- The State share of the Federal Medical Assistance Percentage (FMAP) is projected to be 29.70% for FY 2011; and 37.37% in FY 2012 and FY 2013. This includes the FMAP adjustment in the American Recovery and Reinvestment Act of 2009.

Fiscal Impact

The assessment, if approved, is estimated to generate revenue of \$40.0 million annually to the Hospital Access Trust Fund beginning in FY 2011. The net gain to the State after reimbursing hospitals and rebasing is \$19.5 million in FY 2011, \$9.7 million in FY 2012, and \$8.2 million in FY 2013.

The assessment and corresponding reimbursement payments will generate additional federal funds for lowa as explained in the assumptions. See details in the following chart.

Hospital Health Care Access Assessment

		State	Federal		Assessment	
FY 2011 Assumed FMAP	29.70%		70.30%		1.26%	
Revenue:		State		Federal		Total
Health Care Access Assessment (1.26%)*	\$	40,000,000	\$	0	\$	40,000,000
Expenditures:	<u> </u>					
Reimburse to UPL	\$	20,542,883	\$	48,625,074	\$	69,167,957
Net Gain/Loss**	\$	19,457,117	\$	-48,625,074	\$	-29,167,957
	State		Federal		Assessment	
FY 2012 Assumed FMAP		37.37%		62.63%		1.26%
Revenue:		State		Federal		Total
Health Care Access Assessment (1.26%)*	\$	40,000,000	\$	0	\$	40,000,000
Expenditures:						
Reimburse to UPL	\$	25,848,066	\$	43,319,891	\$	69,167,957
Rebase		4,500,000		7,541,745		12,041,745
Total Hospital Expenditures	_	30,348,066		50,861,636	_	81,209,702
Net Gain/Loss**	\$	9,651,934	\$	-50,861,636	\$	-41,209,702
		State Federal		Federal	Assessment	
FY 2013 Assumed FMAP		37.37%		62.63%		1.26%
Revenue:		State		Federal		Total
Health Care Access Assessment (1.26%)*	\$	40,000,000	\$	0	\$	40,000,000
Expenditures:						
Reimburse to UPL	\$	25,848,066	\$	43,319,891	\$	69,167,957
Rebase		6,000,000		10,055,660		16,055,660
Total Hospital Expenditures	_	31,848,066		53,375,551		85,223,617
		8,151,934	\$	-53,375,551	\$	-45,223,617

^{*}The Health Care Access Assessment is subject to change with the addition of two new hospitals and the closing of one. The impact cannot be estimated, but it is expected to be a net gain to the State.

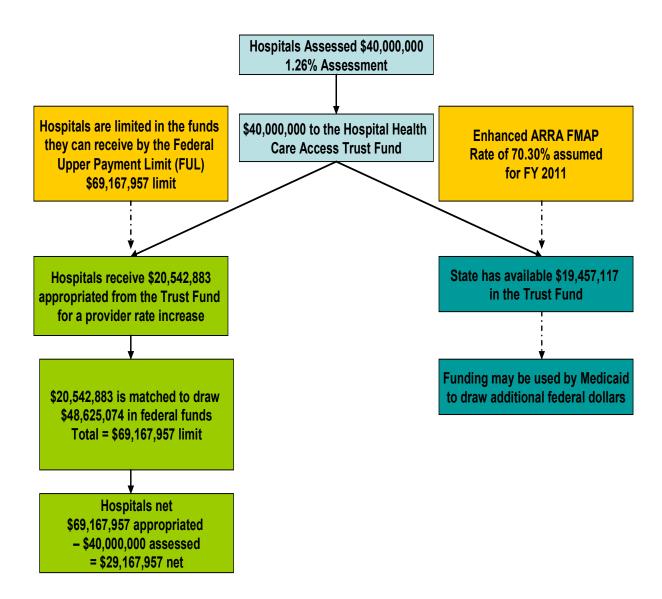
Sources

Department of Human Services Iowa Hospital Association LSA Analysis

/s/ Holly M. Lyons
March 24, 2010

^{**} Total net loss represents the net loss to the State and federal Governments and is equal to the net gain for the 34 Prospective Payment System hospitals.

Hospital Assessment Chart



2/24/2010 LSA: Hospital Assessment.ppt